

IN THE CHANCERY COURT FOR LEWIS COUNTY

AT HOHENWALD, TENNESSEE

IN RE:)
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)
)
)
_____)

SENTINEL TRUST COMPANY

AFFIDAVIT OF PHILIP M. REES

I, Philip M. Rees, first being duly sworn upon my oath, hereby depose and state as follows:

1.

My name is Philip M. Rees. I am over eighteen (18) years of age and otherwise competent to give testimony in this matter. The facts set forth in this Affidavit are true and based upon my personal knowledge.

2.

I am an attorney currently employed as General Counsel of Wellington Health Care Services, LLC ("Wellington"), which is in the business of owning, operating, and managing long term care facilities. I have served in this position for over five (5) years. I am responsible for, among other things, overseeing the handling of legal issues that arise in connection with Wellington's business operations.

3.

Riverside Nursing Home (the "Facility") is a skilled nursing facility that is located in Covington, Newton County, Georgia. The Facility is currently owned by Chamber Health Care Society, Inc. ("Chamber").

4.

Wellington has created a wholly-owned subsidiary, West Street Associates, LLC ("West Street"), for the purpose of acquiring the Facility. West Street has entered into an agreement in principle (the "Proposed Agreement") with Chamber for the sale and purchase of the Facility. Pursuant to the Proposed Agreement, West Street would pay Chamber a purchase price tied to the principal and interest then due the bondholders under the bonds that are currently secured by a first priority deed to secure debt on the Facility. Currently, we believe this amount to be approximately \$4,500,000.

5.

It is my understanding that the current fair market value of the Facility is approximately \$6,500,000. A true and correct copy of the executive summary pages of this 66-page (plus exhibits) independent appraisal of the Facility by McColgan & Company, Real Estate Appraisers and Market Analysts is attached hereto as Exhibit A. Thus, the purchase price for the Facility will not exceed the Facility's fair market value.

6.

It is my understanding that, in order to pay off the bondholders, Chamber is required to pay the payoff amount to a third party trust institution called Sentinel Trust Company ("Sentinel"). I also understand that the Trust Indenture, which governs the repayment of the

bonds, contains a provision (the "Retention Provision") that, unless waived, requires Sentinel to retain the payoff amount in an account for a period of ninety days. Following the expiration of this ninety day period, Sentinel is then required to give the bond holders thirty days notice of payment before payment can be made to the bondholders.

7.

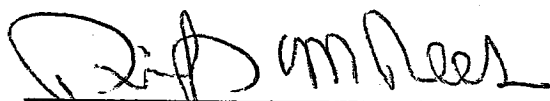
If the Retention Provision is not waived in this instance, West Street or Chamber will incur a significant, unnecessary cost that could jeopardize the Proposed Agreement. First, West Street will have to pay interest to its lender for the amounts borrowed to acquire the Facility. Second, since the purchase price is tied to the principal and interest due the bondholders, West Street or Chamber will have to pay an additional \$144,000 to complete the Proposed Agreement, as interest accrues to the bondholders at a rate of more than \$1,200 per day, multiplied by the one hundred twenty day retention period. Unless this one hundred twenty day retention period is waived, the parties may not proceed to close the acquisition of the Facility.

8.


I also understand that the reason that Sentinel is in receivership is because it failed to properly maintain trust accounts and currently has a cash shortfall of several million dollars. In fact, we understand that Sentinel failed to maintain \$356,603.91 required under the Trust Indenture for the benefit of the Riverside Bondholders. We understand that Sentinel cannot account for these monies. Given Sentinel's poor track record to date, the prospect of entrusting additional funds to Sentinel is problematic.

I understand that in other transactions involving the same ninety/thirty day retention/notice periods, Sentinel has waived these provisions because they do not apply where the bonds' purchase price does not exceed the value of the Facility. The purpose of these provisions was to protect against post-closing preference claims in the event that the seller (i.e., Chamber) were to file for bankruptcy protection within ninety days after the funding. There cannot be a claim that the Riverside Bondholders received a preferential payment when the purchase price for the Facility securing the debt does not exceed the fair market value of the Facility.

Further, Affiant sayeth not.


Philip M. Rees

Sworn and subscribed
before me this 17th day
of July, 2004.


Notary Public
My commission expires:

L. Thomas, Notary Public, DeKalb County, GA
My Commission Expires Sept. 6, 2007

*Executive Summary of
Riverside Healthcare Center
as of
June 9, 2004*

Location: 5100 West Street
Covington, Newton County, Georgia 30014

Tax Parcel No.: C024-0003-008

Site Area (Acres): 4.07 **Zoning:** R-P

Flood Map No./Date: 130144-0002 B **Flood Zone:** C
March 2, 1983

Improvements: Existing Average-Quality, one-story nursing home facility; 159
Licensed Beds.

Physical Condition: Average to Good

Highest & Best Use

As Improved: Nursing Home

As Vacant: Residential or Professional Uses

Property Right

Appraised: Fee Simple of the Going-Concern

Appraisal Methods & Indications

June 9, 2004

Income Approach: \$6,465,000.

Sales Comparison Approach: \$6,500,000.

*Executive Summary
(Continued)*

Market Value Estimate – Fee Simple – Going Concern – June 9, 2004:

Total:	\$6,500,000.
Real Estate:	\$3,279,000.
F, F, & E:	\$ - 331,000.
Business Value:	\$2,890,000.

Going-Concern Valuation Parameters –Market Value:

Effective Operating Revenue:	\$7,642,097
Occupancy Rate:	93.5%
Net Operating Income:	\$1,008,354
Implied Capitalization Rate:	15.51%

Other Value Indicators

Value Per Bed:	\$40,881.
Value Per Square Foot:	\$154.03